

## **Exhibit E: ADR Memorandum**

### **Overview**

In 1995, some policyholders and former policyholders asserted claims against Prudential and its U.S. life insurance subsidiaries in a class action lawsuit. As part of the settlement of that class action, an ADR claims resolution process was instituted whereby claims were evaluated individually and relief was determined accordingly. Some ADR Claimants were awarded choices of relief that depended on the nature of their particular claims and the scores such claims received. Some ADR Claimants chose relief that included rescinding their policies, or surrendering their rights to policies that would have been issued or reinstated in other forms of relief that were available to these ADR Claimants. Other ADR Claimants chose a form of relief that did not include rescinding their policies or surrendering their rights to other policies that were made available to them as a relief choice. They chose other forms of relief such as restoring value to a policy or receiving that value in cash.

A Policy that is In Force on the Adoption Date is eligible for compensation under the terms of the Plan, whether or not that Policy is subject to an ADR claim or arose from an ADR claim. Pursuant to commitments the Company made to ADR Claimants in April 1998, the Plan makes additional provisions for ADR Claimants. These provisions are found in Article V and Sections 3.2(e), 6.1(c)(iv), 7.1(b)(i)(A), 7.1(c), 7.3, 7.4, 8.5, 9.2(a)(i)(A), 10.2, 11.1(e) and 14.7 of the Plan, and are further explained in this ADR Memorandum. Compensation will be provided with respect to Policies issued or reinstated after the Adoption Date and before the Effective Date in satisfaction of ADR relief selected by the ADR Claimant, or as of the Effective Date as a result of a repurchase option described in Section 1(A) below. ADR Claimants may be eligible to receive compensation with respect to such Policies in ADR under this Plan, even though these Policies were not In Force on the Adoption Date. Other ADR Claimants may have their compensation calculated on the basis of a life insurance policy or an annuity contract other than a Policy actually In Force or deemed In Force on the Adoption Date. These calculations are explained in Section 2 below. The principles and methodologies regarding such commitments are set forth in this ADR Memorandum.

### **1. Eligible Policies**

- A. The ADR relief choices for some ADR Claimants included rescission of their policies; and choices for some ADR Claimants included forms of ADR relief in which the Company would have issued or reinstated policies. By choosing to rescind their policies or choosing not to take a form of ADR relief in which the Company would have issued or reinstated policies, these ADR Claimants gave up the opportunity to have a Policy that would have been In Force on the Adoption Date. If they had taken that opportunity, they could have been eligible to receive compensation with respect to that Policy.

However, in accordance with the commitment the Company made to ADR Claimants in April 1998, such ADR Claimants will be given the option of changing their form of ADR relief and repurchasing offered or rescinded policies. If an ADR Claimant does repurchase a policy pursuant to such an offer and pursuant to this Memorandum, that Policy will be deemed to be In Force as of the Adoption Date in accordance with Section 6.1(c)(iv) of the Plan. The ADR Claimant will be eligible to receive compensation for such Policy. Calculations of compensation with respect to such a Policy that is repurchased are described in Section 2(A) below. However, an ADR Claimant who repurchases such a Policy will not be eligible to vote with respect to that Policy, as described in Section 11.1(e) of the Plan and in Section 3 below. If an ADR Claimant does not repurchase a policy, the form of ADR relief will not be changed, the policy will not be put into effect or deemed to be In Force on the Adoption Date, and the ADR Claimant will not receive compensation for that policy under the Plan.

- B. Some ADR Claimants chose forms of relief which did not include the rescission of their policies, or the surrender of their rights to policies which would have been issued or reinstated in other forms of ADR relief that were available to these ADR Claimants. These ADR Claimants may have Eligible Policies related to their ADR claims, and the Company's commitment is that they will receive the same overall financial result regardless of which form of ADR relief they chose. Calculations of compensation with respect to such Policies are described in Section 2(B) below.
- C. Any policy issued or reinstated as a result of an initial ADR relief choice implemented after the Adoption Date but prior to the Effective Date will be deemed to be In Force as of the Adoption Date and the ADR Claimant will be eligible to receive compensation for such a Policy.
- D. In certain cases, the Company is not able to reinstate a life insurance policy that terminated without significant adverse tax ramifications to the ADR Claimant. For these situations, the Stipulation of Settlement allows the Company to issue Designated New Policies (DNPs), rather than reinstating the policy, in order to provide the required ADR relief.

## **2. Allocation of Policyholder Consideration**

- A. Some ADR Claimants initially chose forms of ADR relief which included the rescission of their policies, or could have initially chosen forms of ADR relief in which the Company would have issued or reinstated a policy. These ADR Claimants will be given the option of changing their form of ADR relief and repurchasing their policies, as described in Section 1 above and according to the timing described in Section 4 below. For ADR Claimants who do implement options to change their form of ADR relief and repurchase their coverage, their compensation with respect to such Policies that are repurchased will be determined as described in this Section 2(A).

- i) If implementation of this option results in reinstatement of a life insurance policy that had previously been in effect, the compensation for that Policy will be calculated as if that Policy were In Force continuously since it was originally issued, using the methods of Article VII of the Plan.
  - ii) As indicated in Section 1(D) above, in certain cases, the Company is not able to reinstate a life insurance policy that terminated without significant adverse tax ramifications to the ADR Claimant. For these situations, the Stipulation of Settlement allows the Company to issue DNPs, rather than reinstating the policy, in order to provide the required ADR relief. If implementation of the form of relief selected by the ADR Claimant results in the issuance of a DNP, the Company will determine the compensation for both the DNP and for the policy that could not be reinstated without the aforementioned tax consequences. Even though that policy could not actually be reinstated without such adverse tax consequences, the compensation for that policy will be calculated as if it had been reinstated and had been In Force continuously since it was originally issued. The compensation for the DNP will be deemed to be the greater of the compensation calculated on the basis of the DNP, and the compensation calculated on the basis of the policy that could not be reinstated without adverse tax consequences.
- B. Some ADR Claimants chose forms of ADR relief which did not include the rescission of their policies, or the surrender of their rights to policies which would have been issued or reinstated in other forms of ADR relief that were available to these ADR Claimants. These ADR Claimants may have Eligible Policies related to their ADR claims, and the Company's commitment is that they will receive the same overall financial result regardless of which form of ADR relief they chose. These ADR Claimants will not be given the option of changing their form of ADR relief. The compensation for these Policies will be determined in a manner that will produce the same overall financial results for these ADR Claimants, regardless of which forms of ADR relief they chose. These ADR Claimants will be eligible for compensation with respect to the policy subject to an ADR claim, or with respect to the policy the ADR Claimant received in connection with ADR, only if that policy is In Force on the Adoption Date as provided in Article VI of the Plan, or if that policy is issued after the Adoption Date and before the Effective Date as a result of the form of ADR relief the ADR Claimant initially chose. The methods by which adjustments would be required in the determination of compensation, and the calculations that will be done in order to make these adjustments, are described in this Section 2(B). If none of the adjustments listed below is applicable, the compensation will be determined using the same rules as for any other Eligible Policy, without reference to any different treatment for ADR Claimants.
  - i) The Stipulation of Settlement provides for the continuation or reinstatement of insurance coverage in order to implement certain forms of ADR relief. With the settlement of certain claims, the Company was not able to reinstate a life

insurance policy that terminated without significant adverse tax ramifications to the ADR Claimant. As described in Section 1(D) above, the Stipulation of Settlement allows the Company to issue DNPs in order to provide the required ADR relief in these cases. If a DNP was issued in order to provide the required ADR relief, the Company will calculate the compensation for both the DNP and for the policy that could not be reinstated without the aforementioned tax consequences. Even though that policy could not actually be reinstated without such tax consequences, the compensation for that policy will be calculated as if it had been reinstated and had been In Force continuously since it was originally issued. The compensation for the DNP will be deemed to be the greater of the compensation calculated on the basis of the DNP, and the compensation calculated on the basis of the policy that could not be reinstated without adverse tax consequences.

- ii) For some ADR claims, ADR Claimants were able to choose a form of ADR relief in which the Company would have issued an annuity contract to them; but the ADR Claimant chose instead a form of ADR relief in which the life insurance policy that was the subject of the ADR claim was continued in force or reinstated, or a DNP was issued. In these cases, the Company will determine the compensation for the life insurance policy in a manner that will produce the same overall financial result, regardless of which form of ADR relief the ADR Claimant chose. In order to meet this commitment, the Company will calculate the compensation both on the basis of the life insurance policy that was continued, reinstated, or issued; and on the basis of the annuity contract the Company would have issued if the ADR Claimant had selected that form of ADR relief. The compensation for the life insurance policy will be deemed to be the greater of the two compensation amounts that are so determined. If both this Section 2(B)ii) and the preceding Section 2(B)i) apply to the same ADR claim (ie. a DNP was issued to provide the form of ADR relief the ADR Claimant chose, and the ADR Claimant could have chosen instead a form of ADR relief in which the Company would have issued an annuity contract), the compensation for the DNP that was issued will be calculated both on the basis described in Section 2(B)i) and this Section 2(B)ii), and the compensation for the DNP will be deemed to be the greater of the two amounts that are so determined.
- iii) For some ADR claims, ADR Claimants were able to choose between forms of ADR relief which would result in restoring values to a policy from which such values had been withdrawn, or in receiving that value in cash. If the ADR Claimant in such a situation chose one of these forms of ADR relief, the Company will determine the compensation for the life insurance policy in a manner that will produce the same overall financial result, regardless of which form of ADR relief the ADR Claimant chose. The Company will calculate the compensation both on the basis of the policy that would have resulted from the form of ADR relief to restore value to the policy, and on the basis of the policy

that would have resulted if the ADR Claimant had chosen to receive that value in cash. The compensation for such a Policy will be deemed to be the greater of the two compensation amounts that are so determined.

### **3. Voting**

Requirements for a Qualified Voter are set forth in Chapter 17C. Any ADR Claimant who repurchases his or her coverage after the Adoption Date, or who has a policy reinstated after the Adoption Date as part of a form of ADR relief, or who otherwise does not meet the requirements for a Qualified Voter as set forth in Chapter 17C, will not be entitled to vote on the proposal to adopt this Plan, despite later receiving a Policy which will be deemed In Force as of the Adoption Date, unless the ADR Claimant is the owner of another Eligible Policy that was In Force on the Adoption Date, and that otherwise fulfills the requirements for a Qualified Voter as of the Adoption Date.

### **4. Timing of Changes in ADR Relief**

No later than 45 days prior to the Hearing, the Company will notify ADR Claimants of options, if any, to repurchase their coverage. In that notice, ADR Claimants will be informed of the amount, if any, that they would have to pay to repurchase coverage, and they will be asked to respond within 45 days if they are interested in repurchasing their coverage by selecting (one of) the option(s) presented. ADR Claimants who receive this notice are told that they are not obligated to change their form of ADR relief and repurchase coverage if they do express interest in making such a change.

As soon as practicable after the approval and adoption of the Plan by the affirmative vote of Qualified Voters pursuant to Section 11.1 of the Plan, the Company will send a notice to ADR Claimants who expressed an interest in repurchasing their coverage, informing them of the requirements to implement that decision. These requirements include the payment of required amounts, if any, and completion of certain administrative requirements, not later than 45 days following the date of the letter in which the ADR Claimants are notified of such requirements. The administrative requirements include documentation required for the form of ADR relief to which the ADR Claimant is changing, and information needed for processing of demutualization compensation, such as confirmation of the repurchase option selected or providing tax information. ADR Claimants for whom the sum of the Basic Fixed Component and the Basic Variable Component is equal to or less than the Share Election Maximum following repurchase of their coverage, and who did not previously have an opportunity to affirmatively indicate a preference to receive shares of Common Stock in lieu of cash as described in Section 8.1(h) of the Plan, will be able to do so in their responses to this notice.

If the Company demutualizes and the insured under the insurance policy to be repurchased dies after the Company receives the necessary requirements to repurchase the policy, including any required payment, but before the Effective Date, the Company will pay the death benefit associated with that policy, and retain any repurchase payment. The Company will also pay

demutualization compensation with respect to such a policy, with ownership determined according to Article V of the Plan.

If the Company does not demutualize, but the insured under the life insurance policy to be repurchased dies after the Company receives any required repurchase payment amount, but before the Company returns that amount to the ADR Claimant, the Company will pay the death benefit associated with the policy, and will retain the repurchase payment.

## **5. Form and Conveyance of Compensation**

If the Company demutualizes, ADR Claimants who complete all requirements to repurchase their coverage within the timeframe indicated in Section 4 above shall be entitled to receive compensation in the form of Common Stock, cash or Policy Credits in accordance with the requirements of Article VIII of the Plan. The Company may adjust the Total Allocable Shares in order to allocate shares to these ADR Claimants as provided in Section 14.7 of the Plan. The Company will act in good faith to convey compensation to ADR Claimants eligible to receive such compensation under the Plan at the time of distribution of compensation to all other Eligible Policyholders, as described in Section 8.5 of the Plan. However, in the event the Company is not able to convey compensation within this timeframe to all ADR Claimants who complete the requirements to repurchase their coverage, the Total Allocable Shares shall include a reasonable estimate of the compensation to be distributed to ADR Claimants who have chosen to repurchase their coverage as described above.

If the Company shall fail to complete the processing of the repurchases by ADR Claimants by the time of the distribution of compensation to all other Eligible Policyholders, the Company shall set aside Common Stock and cash in the amount of its reasonable estimate of the Common Stock and cash to be distributed to such ADR Claimants. The Company shall cause such Common Stock and cash to be distributed to such ADR Claimants as soon as practicable following the processing of their repurchases of coverage. If the number of shares of the Common Stock set aside by the Company is insufficient to distribute to all such ADR Claimants who are entitled to receive Common Stock, the Company shall distribute the necessary amount of authorized but unissued shares of stock to the remaining ADR Claimants. In the event that any Common Stock or cash set aside by the Company remains undistributed after all repurchases of coverage have been processed, such Common Stock and cash shall be returned to the Company. The Company may utilize an escrow account or trust for the purposes of setting aside Common Stock and cash as described above.

## **6. Project Participants**

Section 7.1(c) of the Plan provides that no consideration shall be allocated or distributed in respect of any Policy acquired or reinstated by any Project Participant on or after February 10, 1998, except as provided in this ADR Memorandum. However, notwithstanding any provision of Section 7.1 of the Plan, compensation shall be allocated and distributed in respect of Policies acquired or reinstated in resolution of ADR claims, or options to repurchase coverage as

described earlier in this ADR Memorandum, to any Project Participant who is also an ADR Claimant, as if the ADR Claimant were not a Project Participant.

## **7. Closed Block**

The operation of the Closed Block is described in Article IX of the Plan, and in the Closed Block Memorandum, attached as Exhibit G to the Plan. Any policies reinstated after the Effective Date, pursuant to this Plan and this ADR Memorandum, which otherwise satisfy the conditions set forth in the definition of "Closed Block Policies", shall be considered such Policies. All DNPs, issued pursuant to initial choices of ADR relief, or pursuant to repurchases of coverage as described earlier in this ADR Memorandum, which otherwise satisfy the conditions set forth in the definition of "Closed Block Policies", shall be considered Closed Block Policies, even if such DNPs are issued after the Effective Date.